

Person to Contact: [REDACTED]
Telephone Number: [REDACTED]
Refer Reply to:
Internal Revenue Service
[REDACTED]

Date: AUG 10 1989

Dear Applicant:

We have considered your application for recognition of exemption from Federal Income Tax under section 501(c)(7) of the Internal Revenue Code.

The information submitted discloses that you were incorporated on [REDACTED] under the nonprofit corporation laws of the State of [REDACTED].

According to your Articles of Incorporation, the purpose of your organization is to provide horse-drawn conveyances to be used in parades and at other entertainment functions. Your organization owns a wagon which cost \$[REDACTED].

The sole activity of your organization is to rent this wagon for use in parades and other social, civic and charitable activities. The wagon was used in five events during the year ended [REDACTED]. Anyone wishing to rent this wagon must pay your organization a rental fee.

Membership is your organization totals [REDACTED] individuals each having contributed \$[REDACTED] to [REDACTED] for purchase of the [REDACTED] Wagon and trailer. Upon dissolution, stockholders will be reimbursed their cash invested in the corporation.

Section 501(c)(7) of the Code provides for exemption from Federal Income Tax of clubs organized and operated exclusively for pleasure, recreation, and other non-profitable purposes, no part of the net earnings of which inures to the benefit of any private shareholder.

Section 1.501(c)(7)-1(a) of the Income Tax Regulations provides that section 501(c)(7) of the Code applies only to clubs which are organized and operated exclusively for pleasure, recreation and other non-profitable purposes, but does not apply to any club if any part of its net earnings inures to the benefit of any private shareholder. In general, this exemption extends to social and recreation clubs which are supported solely by membership fees, dues and assessments.

According to revenue ruling 70-52, 1970-1 C.B. 137, a flying club having no organized social and recreational program did not qualify for exempt status under section 501(c)(7) because there was no significant commingling of its members.

Code	Initiator	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer
Surname	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Date	7/21/89	8/3/89	8/3/89	8/3/89	8-7-89	8/8/89	

According to Public Law 94-568 (Senate Report 94-1318, 2d Session, 1976-2 C.B. 597, 599) a social club may receive up to 35% of their gross receipts, including investment income, from source outside their membership without losing their exempt status.

You do not qualify for exempt status under Section 501(c)(7) because your only source of income has been rental income for fiscal year [redacted] and [redacted]. You therefore do not meet the requirements of Public Law 94-568. In addition, you are similar to the organization in the above revenue ruling because you have no organized social and recreational program for your members.

Accordingly, we hold that you are not entitled to exemption from Federal Income Tax as an organization described in section 501(c)(7) of the Code. Accordingly, you are required to file Federal income tax returns on Form 1120.

If you do not agree with these conclusions, you may within 30 days from the date of this letter, file a brief of the facts, law and arguments (in duplicate) which clearly sets forth your position. In the event you desire an oral discussion of the issues, you should so indicate in your submission. A conference will be arranged in the Regional Office after you have submitted your brief to the Chicago District Office and we have had an opportunity to consider the brief and it appears that the conclusions reached are still unfavorable to you. Any submission must be signed by one of your principal officers. If the matter is to be handled by a representative, the Conference and Practice Requirements regarding the filing of a power of attorney and evidence of enrollment to practice must be met. We have enclosed Publication 892, Exempt Organization Appeal Procedures for Adverse Determinations, which explains in detail your rights and procedures.

If we do not hear from you within 30 days from the date of this letter this determination will become final.

Please keep this determination letter in your permanent records.

If you agree with this determination please sign and return the enclosed Form 6018.

Very truly yours,

[redacted]
District Director

Enclosures:
Publication 892
Form 6018